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IN THE

Supreme Court of the United States

October Term, A. D. 1902.

No. 448.

AMERICAN COTTON OIL COMPANY,
Appellant,

vs.

CONTINENTAL COTTON OIL COMPANY, WILLIAM L. [illegible], as Trustee, VIRGINIA TRUSTEE, HENRY FRESER, HENRY E. SCHULTE, C. H. GOETTER, and D. H. [illegible],
Appellees.

Appeal from the Circuit Court of the United States for the Northern District of Illinois, Eastern Division.

Brief and Argument of Appellees.

JOHN C. BARNES,
Solicitor for Appellees.

[illegible], Attorneys at Law,
[illegible],
Of Counsel.

IN THE

Supreme Court of the United States

OCTOBER TERM, A. D. 1902.

No. 440.

AMERICAN COLORTYPE COMPANY,
Appellant,

vs.

CONTINENTAL COLORTYPE COMPANY, WILLIAM J. MAAS, BAXTER J. FIERLEIN, HENRY FREESE, HENRY E. SCHULTZ, O. H. QUETSCH AND J. O. M. SEIBERT,
Appellees.

Appeal from the Circuit Court of the United States for the Northern District of Illinois, Northern Division.

Brief and Argument of Appellees.

PRELIMINARY.

The brief of the appellant does not conform to either section 1 or section 2 of paragraph 2 of Rule 21 of this court (108 U. S., 584). There is in it no specification of the errors relied upon, nor is there any statement of the case, which at all meets the requirements of the rule. The appellees are compelled, therefore, to make a full statement of the case.

STATEMENT OF THE CASE.

The sole question which is presented to the court by this appeal, if any question is presented, is whether the matters alleged in the bill of complaint herein, to which the Circuit Court for the Northern District of Illinois sustained a demurrer, state a case that is within the jurisdiction of the lower court.

The Circuit Court held from an examination of the allegations and prayer of the bill, that the case presented fell within the prohibition of the act of Aug. 13, 1888, 25 Stat. 433, 1 Supp. Rev. Stat. 612 (Rec., 30), which act is corrective of 24 Stat. 552.

That statute is as follows:

> "Nor shall any circuit or district court have cognizance of any suit, except upon foreign bills of exchange, to recover the contents of any promissory note or other chose in action in favor of any assignee, or of any subsequent holder if such instrument be payable to bearer and be not made by any corporation, unless such suit might have been prosecuted in such court to recover the said contents if no assignment or transfer had been made."

When the demurrer was sustained, the appellant took no exception but declined to amend its bill and elected to stand upon the pleading. Thereupon, a decree of dismissal for want of jurisdiction was entered (Rec., 30), to which action of the court the defendant did not except. We do not believe that a case of this kind falls within the general rule of equity practice. The case comes up upon a certificate, and the appellant, by an exception properly taken, ought to have put itself in condition to complain of the ruling. But we have been unable to find any precedent upon this point and we suggest the consideration with some hesitation.

STATEMENT OF THE PLEADINGS.

The bill of complaint alleged that the complainant (appellant) was a corporation of New Jersey and a citizen of that state, and that all the defendants (appellees) were citizens and residents of the State of Illinois. (Rec., 3-4.)

That on November 20th, 1901, defendants Maas and Fierlein were partners composing a firm carrying on business as the Maas Engraving Company, engaged in the production of colored pictures by a printing process known as the colortype or three-color-process, Fierlein being sales manager and Maas being the manager of the manufacturing department and familiar with the process of producing the plates and of printing therefrom. (Rec., 4.)

That on and prior to November 20th, 1901, the National Colortype Company and the American 3-Color Company, both companies organized and existing under the laws of Illinois, were engaged in the business of three-color printing. (Rec., 4.)

That on November 20th, 1901, Fierlein and Maas sold and transferred the co-partnership business of the Maas Engraving Company to the said National Colortype Company for the sum of eighty-four hundred dollars. (Rec., 4-5.)

That the said American 3-Color Company furnished a substantial part of the said eighty-four hundred dollars and as a part of said sale and transfer and as a principal inducement to the payment of said purchase price, Maas made a contract of service with the National Colortype Company and Fierlein made an agreement of service with the American 3-Color Company. (Rec., 5.)

That the bill of sale of Maas and Fierlein to the National Colortype Company (Exhibit A. to the bill of complaint, Rec., 19-20), made the contracts of service by Maas and

Fierlein part of the sale and purchase of the said business. (Rec., 20.)

That the contract of service by Maas with the National Colortype Company (Exhibit B. to the bill), bound Maas to serve the Company, and bound the Company to employ him for five years from December 1st, 1901, and Maas agreed during that period to give his whole time to the service, to accept no employment with any person or corporation engaged in three-color printing, and that he would not for ten years from December 1st, 1901, anywhere in this country east of the Rocky Mountains, be interested in any way in any three-color business, similar to that of the National Company, and would not for the said ten year period teach to any one any secrets or processes relating to three-color printing, which he then knew or which during his employment he might learn. (Rec., 21.)

That the contract of service by Fierlein, with the American 3-Color Company (Exhibit C. to the bill), was simply for his exclusive service as salesman for a period of two years from December 1st, 1901. (Rec., 23.)

That Maas on December 1st, 1901, entered into the employ of the National Colortype Company, became superintendent of its plate making, and by virtue of his employment became possessed of secrets of the colortype business other than he already knew and was fully and freely instructed in such secrets by the National Colortype Company's officers and employees. (Rec., 7.)

That Fierlein also entered into the employ of the American 3-Color Company on December 1st, 1901, and was instructed in its methods of doing business and of securing trade and customers and became acquainted with the names of all of its customers. (Rec., 7.)

That on December 1st, 1901, the defendant Freese had

entered into the employment of the Chicago Colortype Company (whose business was carried on by the National Colortype Company), in its copper plate etching department under a contract for his exclusive service (Exhibit D. to the bill), whereby he had agreed not to divulge any of the secrets of the business and had agreed not to enter into any employment similar to that of the National Colortype Company, and he had agreed that if he so went to work, he might be enjoined and that the fact of his so doing would be sufficient proof of a breach of his agreement. (Rec., 23-24.)

That the defendant Schultz was, prior to July 1st, 1902, in the employ of the complainant, and by virtue of his employment, had become possessed of certain of its secrets in three-color printing. (Rec., 10.)

That on February 15th, 1902, the said National Colortype Company, the American 3-Color Company and the Osborne Company were consolidated into the complainant and *"each "of said companies transferred to the complainant all the as- "sets of each and all of said respective companies, including "good-will, trade secrets, and all contracts of whatsoever name "and nature, including * * * said Contracts Exhibit "A, B, and C * * * said contracts A and B by said "National Colortype Company, and said contract Exhibit "C, by said American 3-Color Company, to the complain- "ant,"* and ever since said date the complainant has carried on said business. (Rec., 7-8.)

That Maas, knowing of said consolidation and said transfer to complainant of the business, assets and good will of the National Colortype Company, and including *"the said "contracts herein designated as Exhibits A and B consented "to said transfer and announced his intention of holding the "complainant upon said contracts and remained in the em- "ploy of the complainant,"* and recognized complainant as

his employer and accepted his salary from complainant until July 1st, 1902, and that since said consolidation, said Maas has been instructed by complainant in secrets of great value in making colortype plates, "and the complainant says that "by the acts and doings of said National Colortype Company "and the said William J. Maas and the complainant on and "after said March 1st, 1902, the complainant, by the consent "of all parties, became substituted as a party to said con- "tract, Exhibit B, in place and in lieu of the National Color- "type Company." (Rec., 8.)

That the said Fierlein *knowing of the consolidation and transfer of all the assets and contracts and good will of the American 3-Color Company to the complainant, including the contract, Exhibit C, consented thereto and remained in the employ* of complainant, visiting its customers and dealing with the same, and accepting his salary and by the acts of said American 3-Color Company and said Fierlein, and the complainant since March 1st, 1902, and by the consent of all parties, the complainant has become substituted as a party to said contract, Exhibit C, in place of the American 3-Color Company. (Rec., 8-9.)

That under the said contract of the said Freese with the Chicago Colortype Company, he entered into the employ of the National Colortype Company, and was freely instructed in the secret arts relating to the making of plates for colortype printing and printing therefrom, "*and that said con- "tract with said Freese, at the time of the transfer to the "complainant by the National Colortype Company of its as- "sets was also transferred by said National Colortype Com- "pany with the consent of said Freese, who thereupon, with "full knowledge of said consolidation and transfer, and giv- "ing his full assent thereto, became under said contract em- "ployed by the complainant,*" and since said consolidation

said Freese has been instructed by complainant in secrets of great value to complainant in making colortype plates, and the complainant "became by the consent of all parties sub-"stituted as the employer of said Freese and as a party to "said contract," Exhibit D. (Rec., 9-10.)

That the defendants Quetsch and Seibert, were officers and directors of a company, "Seibert, Quetsch & Co.," which company had done colortype printing for the Maas Engraving Company. (Rec., 10.)

That on or about May, 1902, Fierlein & Maas, fraudulently conspiring to violate their aforesaid contracts and to rob the complainant of the entire consideration which they had received from the National Colortype Company and the American 3-Color Company, the predecessors and constituents of Continental Colortype Company, about July 1st, 1902, became stockholders and directors in the Continental Colortype Company formed out of Seibert, Quetsch & Co., for the purpose of engaging in Chicago in colortype printing, with the aid of Maas, Fierlein, Freese, and Schultz, in competition with complainant, as evidenced by Exhibit E, a letter sent to complainant's customers. (Rec., 10-11.)

That said Continental Colortype Company and Quetsch and Seibert will be wholly unable to begin or continue their colortype business "without the aid and knowledge possessed "by said Maas and said Fierlein on November 20th, 1901, "*and acquired by them since that time while in the employ "of the complainant and of the National Colortype Company "and of the American 3-Color Company.*" (Rec., 11.)

That the Continental Colortype Company and Quetsch & Seibert, who in forming their company had notice of the Maas and Fierlein contracts, have acquired whatever knowledge they possessed of colortype printing "through the fraud and villainy" of Maas and Fierlein. (Rec., 11.)

That Maas and Fierlein consummated their conspiracy while in complainant's employ and while so employed spent their time in intriguing with and corrupting complainant's employees under contract not to divulge secret processes, and induced Freese and Schultz to join their conspiracy, with the intention of disclosing their knowledge, and that said Fierlein took copies of complainant's customers, estimates for the purpose of diverting its business to the Continental Colortype Company. (Rec., 11-12.)

That Maas and Fierlein left complainant's employ about July 1st, 1902, without reason and although complainant has fully performed its contracts. (Rec., 12.)

That the letter, Exhibit E, refers to a process which Maas "agreed not to use except for the benefit of said National "Colortype Company and that the other matters stated in "Exhibit E refer to the processes of complainant," namely: the manufacture of so-called colortype plates and printing therefrom; that colortype printing and colortype plates have a well-known and well established meaning in the trade, the latter being plates made by a secret photographic process for the exact reproduction by means of three colors printed by three separate plates of pictures and articles of merchandise. (Rec., 13.)

That many of complainant's processes are secret and new and that it is interested in keeping them secret; that there are few manufacturers of colortype plates and each manufacturer preserves the secrecy of his processes; that complainant has highly developed its processes and has secrets known only to its employees, and such secrets are a valuable asset, and Maas, Fierlein and Freese, through their employment, became acquainted with those secrets. (Rec., 13.)

That complainant and its predecessors and constituent companies have used great care to preserve secrecy in their

processes and have excluded all but necessary employees from their factories. (Rec., 13.)

That Maas, Fierlein, Freese and Schultz, unless restrained, will divulge to Quetsch and Seibert and the Continental Colortype Company, the knowledge regarding colortype printing, " *which said defendants had when they respectively en-* " *tered the employ of the complainant and* its predecessors, " and the knowledge which they have obtained while in the " employ of the complainant and its predecessors." (Rec., 14.)

That all of such divulging " *would be contrary to equity* " *and good conscience, would be a violation by said several* " *defendants of their various contracts hereinbefore men-* " *tioned, and would result in depriving the complainant of* " *a large part of the consideration for which Maas and Fier-* " *lein were paid eighty-four hundred dollars.*" (Rec., 14.)

That if Maas, Fierlein and Freese remain in the employ of the Continental Colortype Company it will expose the complainant to irreparable damage. (Rec., 14.)

That complainant has protested against Maas, Fierlein, Freese and Schultz leaving its employ and is now ready and willing to re-employ them. (Rec., 14.)

The bill prays an injunction against Maas in the terms of the contract, Exhibit B, and against Maas disclosing to any of the other defendants or any one connected with them, any knowledge relating to colortype plates or printing or from disclosing to said defendants " any of the business secrets, " names of customers of the complainant or other informa- " tion relating to the business of the complainant, *obtained* " *by said defendant while in the employ of the complainant or* " *its predecessors, or any of them.*" (Rec., 16.)

The injunction prayed against Fierlein was based upon his contract, Exhibit C, and against his disclosing any knowl-

edge acquired "while in the complainant's employ or in the "employ of the American 3-Color Company." (Rec., 16.)

The injunction prayed against Freese was based upon his contract, Exhibit D, and against his disclosing anything which he knew when he entered the employ of the National Colortype Company or learned while in the employ of the complainant or the National Colortype Company and from entering or continuing in the employ of any of the other defendants. (Rec., 16-17.)

The injunction asked against Schultz was against his remaining in the employ of any other of the defendants. (Rec., 17.)

The injunction asked against the Continental Colortype Company and Quetsch and Seibert, was against their employing any of the other defendants "or from using, employ-"ing or taking advantage of, in any manner whatever, any "information relating to the production of colortype plates "or printing therefrom, at any time obtained from" Maas, Fierlein, Freese or Schultz, or from making or continuing to make three-color plates or printing therefrom by means of such knowledge. (Rec., 17.)

The bill prayed a temporary injunction until final hearing and a perpetual injunction as above prayed, for such other relief as equity may require, with the usual prayer for service.

The foregoing statement of the bill, slightly condensed, shows every allegation and the full prayer that is contained therein. It is made with fullness for the reason that the appellant's brief contains no adequate abstract of the pleading. The brief not only goes outside of the record in stating the process of colortype printing (Appellant's Brief 3), but even states to the court what the evidence will show. (Appellant's Brief, 9-10.)

The purported statement of the bill of complaint which is found in appellant's brief, bears not the faintest resemblance to the bill itself. For instance, it is said (Appellant's Brief, 3): "There are few concerns aside from the "complainant which are producing pictures by this process; "*but that product is confined principally to a cheaper class of "work, and they are not nor is any one of them* capable of "producing work of the high degree of perfection attained "by the complainant, whose predecessors were pioneers in "the business." The only statement in the bill, referring to this matter, is that there are few concerns engaged in this business.

The accusations of bad faith and dishonesty against the principal defendants contained in appellant's brief, are couched in much stronger language than the sworn allegations of the bill, although the language of the bill itself is by no means an example of moderation.

These matters are noticed in order that the statements may not pass unchallenged. If inferences are to be made from the situation disclosed in the pleadings, it is apparent that a New Jersey corporation, one of the corporate organizations called "trusts" by the uninformed, was formed for the purpose of absorbing the Chicago Colortype Company, the National Colortype Company, the Osborne company and the American 3-Color Company. This organization found itself with a mass of assigned contracts and property in its possession and ownership. It went into the Federal Court to protect its contracts, and filed its bill in apparent ignorance of the effect of the statute limiting the jurisdiction of the Federal Courts as to assigned rights of action. It found that large combinations have their disadvantages as well as advantages, and now seeks in some way to avoid the effect of the law.

ARGUMENT.

I.

The statute already set forth at large provides: "Nor "shall any circuit court * * * have cognizance of any "suit * * * to recover the contents of any * * * "chose in action in favor of any assignee * * * unless "such suit might have been prosecuted in such court * * " * if no assignment or transfer had been made." (25 Stat., 433; 1 Supp. Rev. Stat., 612; 24 Stat., 552.)

The meaning of this statute has been settled in this court by a series of adjudications.

In *Sere* v. *Pitot,* 6 Cranch, 332, the statute was held to apply to the assignees of accounts and of unliquidated claims.

In *Sheldon* v. *Sill,* 8 How., 441, the statute was held to apply to the assignee of a bond and mortgage.

In *Corbin* v. *County of Black Hawk,* 105 U. S., 659, 666, the court said, referring to *Sere* v. *Pitot, supra.*

> "There, the plaintiffs were the general assignees of the effects of an insolvent debtor by operation of law. It was contended that the statute applied only to a voluntary assignment of a particular chose in action, and that the word 'contents' did not apply to accounts or unliquidated claims, but was confined to transferable paper. But the court held that the statute intended to except suits in virtue of equitable asignments, as well as suits in virtue of legal assignments, and to exclude from the federal courts the assignee of all the open accounts of a creditor, as well as the same person when the assignee of a particular note. The court say: 'The term "other chose in action" is broad enough to comprehend either case, and the word "contents" is too ambiguous in its import to restrain that general term. The "contents"

of a note are the sum it shows to be due, and the same may, without much violence to language, be said of an account.' Following out this principle, the obligation or the promise contained in a contract is its contents, when a suit is brought to enforce such obligation; and it does no violence to language to say that the suit is one to recover such contents.

In *Deshler* v. *Dodge* (16 How., 622, 631), it is said by the court, that the statute in question applies to cases, 'in which the suit is brought to recover the contents or to enforce the contract contained in the instrument assigned,' and that where the suit is brought to enforce the contract contained in the chose in action, the assignee is disabled unless the suit might have been brought in court if no assignment had been made. Again, in *Bushnell* v. *Kennedy* (9 Wall., 387), it is suggested by the court that the restriction applies to rights of action founded on contracts which contain within themselves some promise or duty to be performed, and that such contracts may be properly said to have contents."

In *Shoecraft* v. *Bloxam,* 124 U. S., 730, which was in effect a suit for the specific performance of a contract, the court said in regard to this statute:

"The terms used 'the contents of any promissory note or other chose in action,' were designed to embrace the rights the instrument conferred which were capable of enforcement by suit. They were not happily chosen to convey this meaning, but they have received a construction substantially to that purport in repeated decisions of this court * * *

It is contended, however, that the complainant is not the assignee of the contract of May 31st, 1871, but a mortagee in trust of the lands mentioned therein, and can, therefore, maintain the suit by reason of his citizenship in New York. We cannot assent to this position. It is true the complainant is a mortgagee in trust of such interest as the mortgagor had in the lands, but it brings the suit, not to foreclose the mortgage, but

as one having a beneficial interest in the contract, and consequently, a right to enforce it."

In *Plank Investment Co.* v. *Jacksonville, etc., R. Co.*, 152 U. S., 71, 76, the court construed the present statute which is a continuance of section 629 of the Revised Statutes and said:

"The contract between the trustees of the Internal Improvement Fund of Florida, and the defendant railroad company, being a contract between citizens and residents of the same state, could not be enforced by suit in a federal court. The complainant, the Plank Investment Company, claims the benefit of that contract and seeks to have it enforced for its benefit. It occupies, in fact, the position of assignee of that contract, its only right to the lands depending upon its validity. But it cannot enforce the contract in the Federal court; because, by section 629 of the Revised Statutes it is provided, that no circuit court shall have cognizance of any suit to recover the contents of any promissory note, or other chose in action in favor of an assignee, unless a suit might have been prosecuted in such court to recover the said contents, if no assignment had been made except in cases of foreign bills of exchange. And the same provision is contained in the act of March 3rd, 1887 c., 373, 24 Stat., 552, amendatory of the act to determine the jurisdiction of the circuit courts of the United States. As we said in the case of *Shoecraft* v. *Bloxam*, 124 U. S., 730, 735: 'The terms used, the contents of any promissory note or other chose in action, were designed to embrace the rights the instrument conferred, which were capable of enforcement by suit. They were not happily chosen to convey this meaning, but they have received a construction substantially to that purport in repeated decisions of this court.' And in support of this doctrine, the case of *Corbin* v. *County of Black Hawk*, 105 U. S., 659, was cited. In that case, a suit brought to enforce the specific performance of a contract was held to be a suit to recover the contents of

a chose in action, and therefore could not be maintained under the statute in question in a federal court in the name of the assignee, if the assignor could not have maintained such suit.

The complainant is not, it is true, designated in the pleas or in any formal instrument, as the assignee of the contract between the trustees of the Internal Improvement Fund, and the defendant railway company, but the term 'assignee' in the statute covers not merely persons to whom is technically transferred the contract in controversy, but any one who, by virtue of any transfer to him, can claim its beneficial interest."

II.

It remains to exaimne the bill in order to ascertain whether the complainant claims relief as transferee of certain contracts and property rights.

The bill itself sets forth the contracts at length, and then avers that the contract, Exhibit A, the contract, Exhibit B, of Maas, the contract, Exhibit C, of Fierlein, were transferred to the complainant by the National Colortype Company and the American 3-Color Company. (Rec., 7.) The contract of Freese, Exhibit D, is averred to have been transferred by the National Colortype Company to complainant as a part of the transfer of all its assets. (Rec., 9.) The contracts are pleaded as the ground for relief, the terms of those contracts are set forth as a part of the bill, and the injunctive relief prayed for follows the exact language of those contracts. The relief sought is an injunction negative in its terms, forbidding the defendant from violating the terms of the contracts. The negative covenants of the contracts are sought to be specifically enforced by the injunction. The relief sought against the other defendants refers to and is based upon the rights given by the contracts. It seems plain,

therefore, that this is a suit by the transferee of certain contracts to enforce rights growing out of the contracts. It is unquestionably a suit whose basis is the obligations created by the contracts.

The assignors of these contracts being Illinois corporations could not have maintained a suit against the defendants who are citizens of Illinois "if no assignment or transfer had been made." And therefore, the ruling of the Circuit Court was right, unless the considerations advanced by the appellant are sufficient to overthrow this conclusion.

III.

The first point urged by the appellant is that the transfer of the contracts, when assented to by Maas, Fierlein and Freese, made new and independent contracts with the defendant by novation, and that therefore, as to these contracts the complainant does not sue as assignee.

The brief of appellant is not entirely clear upon this point. It does not make plain whether the appellant contends that the former contracts are discharged, or whether they remain in force. The appellant says (Brief, 19):

> "We contend that the bill rests not merely upon contracts assigned to the complainant, but upon new contracts and relations formed by these defendants with the complainant direct at the time of its organization; that the bill alleges more than an assignment to the complainant of these contracts."

The terms of the bill are quoted as proving this contention; but it is apparent from an inspection of the bill, that the pleader did not so intend his bill at the time of drawing the bill. He was seeking to take the contracts out of the rule that a contract for personal services requiring special skill is not assignable by the employer in equity without the

consent of the servant. This rule was, of course, well known to the pleader, and he attempted to plead that the servant had assented to the assignment, and in this way the pleader evidently thought he was obviating the objection as to the non-assignability of the contracts.

See *Arkansas Valley Smelting Co.* v *Belden Mining Co.*, 127 U. S., 379.

The form of the allegation is not sufficient to make a novation, even if a novation were possible in a case of this kind. It will be seen by the authorities hereinbelow quoted, that the doctrine of novation is applied to debts, and so far as the cases indicate, the doctrine of novation is not applied to other contracts. But assuming that these contracts of service could be novated, novation requires that there must always be a discharge of a precedent contract as a consideration for the creation of a new contract.

In Anson on Contracts, 8th ed., Huffcut, 289, star paging 235, it is said, using the classic illustration of Mr. Justice Buller:

> "If A owes M £100, and M owes X £100, it may be agreed between all three that A shall pay X instead of M, who thus terminates his legal relations with third party. In such a case the consideration of A's promise is the discharge by M; for M's discharge of A the extinguishment of his debt; for X's promise, the substitution of A's liability for that of M."

These acts must be contemporaneous, and there must always be a party who is discharged. It is not enough for A, obliged to B, to say to C, "I will pay you instead of B," and afterwards receive B's consent.

Cuxon v. *Chadley*, 3 Barn. & C., 691.

Barnes v. *Insurance Co.*, 56 Minn., 38; 57 N. W. Rep., 314.

Nor would it be enough for B, to whom A is obligated, to authorize A in writing to pay C, and for A to acknowledge the paper.

Liversedge v. *Broadbent,* 4 Hurl. & N., 603.

The novation may take one of two forms. There may be two antecedent contracts, both discharged by the creation of a new contract with new parties, or there may be one antecedent contract discharged and the creation of a new contract as a consideration for the discharge of the antecedent contract, but all three of the parties engaged in the novation must enter into the arrangement, and the original antecedent liability must be extinguished. This is essential because it is the act of each that is the consideration for the new promise.

American Paper Bag Co. v *Van Northwick,* 52 Fed, Rep., 752; 3 C. C. A., 274.

In 6 Harvard Law Review, 184, there is an admirable article by Professor J. B. Ames, which fully explains the character of a novation, but the point we are contending for is elementary and has never been lost sight of by the courts.

The appellant's brief cites a definition of novation from 21 Ency. of Law, 2nd ed., 660. The definition is not entirely accurate, but it is sufficient to say of the citation, that the writer of the article classes under the head of novation, no case where there is not a discharge of some party to the antecedent obligation as the consideration for the contract created by novation.

But the writer of this article states (21 Ency. of Law, 2nd Ed., 662), that the substitution of one creditor for another is ordinarily treated as an assignment.

The case of *Chapman* v. *Longworth,* 31 Ohio State, 421-3, recognizes the principle for which we contend, to its fullest

extent. That case shows that where a new party comes into a contract by transfer, there is no release of the party transferring, who is bound by the contract. The assumption in appellant's brief (Brief, 21), that "such substitution necessarily includes the release of the old employer" is shown to be unwarranted by this very case, nor is it warranted by any case which we have seen.

As to the contract with Maas, which was under seal, it is very questionable whether a release of that contract could be pleaded without averring that the release was under seal.

The case of *McKinney* v. *Alvis,* 14 Ill., 33, the syllabus of which is cited by appellant, is an old and leading case for the doctrine we are contending for. The case expressly holds that the assignor's claims upon his debtor and the assignor's liability to the assignee should be extinguished by a new arrangement between all the parties creating a new contract.

The later case of *Hayward* v. *Burke,* 151 Ill., 121, 130, is to the same effect, and shows that there has been no departure from the principle in this state.

The bill of complaint alleges nothing more than an assignment under this rule. It is apparent that in every case of assignment recognized in equity, there is a substitution of parties to the extent that the assignee of the contract can call upon the other party to the contract to perform, and, as stated by the authority referred to by the appellant, such cases are ordinarily treated as assignments. See *Wiggins Ferry Co.* v. *O. & M. R. Co.,* 142 U. S., 396.

If the appellant had desired to plead a novation, he must necessarily have alleged a contract existing between A and B; then he should have alleged an agreement between A, B and C, whereby the contract existing between A and B was discharged, and in consideration of such discharge, a new contract was created between B and C, and A released from the antecedent contract with B.

But after all, it makes little difference what name is given to the transaction. The essence of the transaction is what must be considered. The allegation is that the National Colortype Company transferred the contract to the complainant, and that the defendant assented thereto, and thereby the complainant was substituted as a party to said contract in place of the assignor. No new contract is pleaded, but it is expressly stated that the transferee came into the existing contract in place of the transferor.

Such a transfer falls within the terms of the statute.

In the case of *Plank Investment Co.* v. *Jacksonville, etc., R. Co.*, 152 U. S., 71, there was precisely that kind of a substitution, and the substitution was recognized by the parties to the original contract, but the court held, without hesitation, that such a transfer fell within the terms of the statute.

The case of *Wiggins Ferry Co.* v. *O. & M. R. Co.*, 142 U. S., 396, cited by appellant in an amendment to its brief, has no bearing upon the question of novation. In that case a ferry company had conveyed land to a railroad company upon condition. The railroad company suffered a foreclosure and a new company purchased its franchises, and the question was whether the new company was bound to perform the conditions of the contract. The ferry company had intervened in a foreclosure suit against the new company. No question under the assignment statute arose. The court held that although there was no assignment of the contract to the new company, yet the new company, by acting upon the contract, bound itself to perform. In other words, the assignment arose by act of the parties outside of a formal assignment, although the contract was non-assignable, without the consent of the ferry company. But this case does not hold that a novation took place. A second matter of distinction is that the contract was a conveyance of land

and the new company came in as equitable owner and assignee of the land. From the foregoing it is plain that the case has no bearing upon the question of novation.

As it has been said, any assignment of a contract in equity substitutes the assignee as a party to the contract to a certain extent. No assent of the other party to the contract is necessary, unless the contract be one assignable only with his consent. If that consent is given, the assignment is just the same as that of any other contract assignable without consent. The contract remains the same. Its terms are in nowise altered. It has gained a new party succeeding to the rights of the old party. The new party is certainly one who answers the description of "any one who by virtue of any "transfer to him can claim its beneficial interest." (152 U. S., 77.)

IV.

The second point urged by the appellant is that the bill charges that Maas, Fierlein, Freese and Schultz obtained certain confidential information from the complainant during their employment by the complainant, and as to such information, the complainant's right to relief ought not to have been denied.

There are three classes of information mentioned in the bill. The first is, information possessed by certain defendants which they had at the time they entered into the employ of the predecessors of the complainant, which information the defendants bound themselves by contracts with such predecessors not to disclose, which contracts were transferred to the complainant.

The second kind of information is that acquired by the same defendants while in the employ of the predecessors of the complainant. It is averred that the defendant Maas and

the defendant Freese were bound by contract with such predecessors not to disclose such information, and that such contracts were transferred to the complainant. It is not made clear by the bill of complaint, upon what ground it claims that the defendant Fierlein was bound not to disclose information gained while in the employ of the complainant's predecessors, but the inference from the pleading is that the right to resist the disclosure of such information passed by the transfer of the American 3-Color Company to the complainant of its property and assets.

The third kind of information is that acquired by the same defendants while in the employ of the complainant.

The first two species of information the defendant seeks to enjoin solely by virtue of the fact that defendant has succeeded to the contracts of its predecessors, and as to that controversy we believe we have demonstrated the court had no jurisdiction.

The third class of information really stands upon the same ground, as we think is easily demonstrable. It may be assumed that the rule of equity is that where a person has been employed in a business of a secret nature, and has bound himself to labor for a certain term, or has expressly or impliedly agreed not to disclose the secrets of that business, equity will enjoin a disclosure by such person of the secrets learned by him by reason of his employment during the period for which he has agreed to serve, or will enjoin such disclosure altogether if the person has so agreed. It may also be a rule of law that in the absence of any agreement, equity will enjoin as a breach of trust, the disclosure by an employee of business secrets learned in the course of a confidential employment, although as to this rule, there is considerable doubt.

It will readily be admitted, however, that the employer and

the employee may control the rule otherwise applicable by an express contract, and if there be an express contract governing the confidential service, that express contract will govern the matter.

In the case at bar, there are express contracts governing the disclosure of the secrets of the business. Those contracts are claimed by appellant to be in force. They are claimed to govern the relations of the parties. The matter of disclosure is provided for in those contracts with particularity.

These contract relations with the defendants are rights which the appellant obtained by assignment, and hence they stand upon the same ground precisely as the disclosure of the other two species of knowledge.

But another and sufficient answer to this claim of appellant is that his bill was not drawn with any reference to this contention, nor does his bill rely for any separate relief upon the ground which he now advances. Nowhere in the bill can we find any distinct or substantive ground of relief as to this particular matter, but the relief asked is always in connection with the contract rights and is not based upon this contention. Wherever any violation of an obligation is alleged it is with reference to the transferred obligations.

The appellant, after the court had ruled by sustaining the demurrer, was permitted by the court to amend its pleas. If it could have stated a distinct case for relief upon the ground which it now claims, or upon the ground of novation, we may assume that it would have done so. The complainant had no right to ask the court to go through its pleading and frame a proper bill for it. It voluntarily chose to stand upon its pleading as it was, and hence it is not now in position to complain in regard to this matter. If the complainant relied upon this ground for relief, the bill should have been amended so as to present the point to the court in such a way that the court could have ruled upon it.

V.

The third and last point urged by appellant depends upon the validity of the second point just noted. If the second contention is not well taken, the third cannot be.

But something should be said in regard to this third contention, which is, that since the lower court had jurisdiction to enjoin the disclosure of information acquired by certain defendants while in complainant's employ, it may adjudicate upon the other matters inseparably conected therewith, namely, the disclosure of information known to those defendants, which they contracted with complainant's assignors not to disclose, and the disclosure of information acquired while in the employ of the complainant's assignors. The reason being that there is but one cause of action.

The fundamental defect in this proposition is that it assumes the very point in dispute. It impliedly asserts that the complainant has one ground to relief which accrued to it directly, that it has other grounds to relief which it acquired by assignment, and it is assumed that these matters constitute but one cause of action, and that they are inseparably connected. But there is no allegation in the bill showing or averring any such necessary connection.

The only reason why they are inseparably connected, suggested by the complainant, is the difficulty of proving information acquired while in the employ of complainant as separate and distinct information from that acquired by defendants while in the employ of complainant's predesessors or possessed by them when they entered the employ of complainant's predecessors. But this is not sufficient. There would be no difficulty in framing a bill to enjoin the disclosure of information confidentially acquired by defendants while in complainant's employ. If the

complainant is possessed of secrets of business, separate and distinct from those which it obtained by assignment and separate and distinct from the information possessed by defendants when they came into the employ of the complainant, there ought to be no difficulty in showing what those secrets are, and we may assume, when the complainant refused to amend its bill, it placed no reliance upon this proposition.

Again, a cause of action accruing to complainant by assignment cannot, in the nature of things, be the same, or a part of a cause of action accruing to complainant in its own right.

It is not disputed that there is a rule of equity which enables a court of equity having acquired jurisdiction of a controversy for one purpose, to retain it for all purposes so as to do complete justice between the parties.

But this rule of equity practice does not admit of a construction that a court of equity having jurisdiction of one part of a large controverys, will assume jurisdiction of the rest of the controversy, although it is forbidden by statute so to do.

The case cited by appellant, *Evans* v. *Durango Land & Coal Co.*, 80 Fed. Rep., 433, does not justify any such contention. That action was trespass, and it is elementary that a cause of action for a continuous trespass is indivisible. Damages are recoverable down to the bringing of the action, and if not asked for, they are lost, since the cause of action cannot be split.

Whether or not the particular case cited was well decided, it is not necessary to consider, for it can have no bearing in this connection. But it may be remarked, that at the time the motion to remand the case was made, a federal question was involved, but upon the trial of the case, that is to say, upon the trial of an issue of law in the case (and an issue of law can be tried just as well as an issue of fact), it appeared

that the plaintiff was not entitled to recover for a certain length of time, but that fact could only appear by the trial of an issue of law and by a construction of the Federal statutes, and hence, it having appeared upon the trial of the issue of law that there was no Federal question, it was too late to remand the case.

VI.

The appellant seeks to convey the impression that it cannot obtain justice in the state court because of "the well recog- "nized disposition of that court to declare invalid any con- "tract or understanding in restraint of fraudulent competi- "tion." (Brief 15.)

A court that does not trouble itself about agreements in restraint of competition generally but confines its efforts to promoting fraudulent competition, is certainly a judicial phenomenon.

The case of *Peck Bros. Co* v. *Peck,* 113 Fed. Rep., 291, 300, is cited as having decided that the state court, which we presume is the Supreme Court of Illinois, was afflicted with this reprehensible tendency. It is needless to say that the opinion contains no such remarkable assertion.

It appears from the case cited, that the Circuit Court of Appeals refused to follow a certain decision of the Supreme Court in regard to a use of a corporate name, to-wit: *Hazelton Boiler Co.* v. *Hazelton Tripod Boiler Co.,* 142 Ill., 494.

It could easily be shown that the Circuit Court of Appeals was misled as to the rationale of the decision of the State Court, and that the law as held by both courts is precisely the same. But such a discussion is not material upon this appeal.

The state court in their opinion say (142 Ill., 510): "There was no trade secret in their (the boilers') manufac-

ture which was hedged about by any sanctity which the defendant was not at liberty to invade."

It thus appears that the case could not be a precedent in such a controversy as the complainant presents, for it relies upon trade secrets as its ground for relief.

There was in the Illinois case, no question of contract rights, since it was expressly held (142 Ill., 506), that at the time the complainant in that case obtained its rights to its manufacturing business, there was no appropriation of the word "Hazelton" as a trade mark or trade name.

But we are not prepared to admit the materiality of the suggestion that the Federal Court ought to assume jurisdiction of a suit, because the complainant feels assured that the state court will decide against him. The appellant's counsel have hardly done themselves justice, either in inserting the suggestion in their brief, or in using the unfortunate phrases in which the suggestion is couched.

In the conclusion of its brief, the appellant loses sight of the particular point involved in this appeal and argues the merits of its claim. It is even suggested that "the concerns "whose businesses have been merged in that of complainant's " * * * have now no separate existence." There is no allegation in the complainant's bill, that will bear this interpretation. But whether the complainant's case is a meritorious one or not, it must be decided by the tribunal which has jurisdiction to adjudicate upon it.

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